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Bureau of Competition Room 303	ender de la companya
Federal Trade Commission	
6th Street and Pennsylvania Avenue, N.W. Washington, D.C. 20580	
	By Messenger
Attention: Mr. Victor Cohen	•
Gentlemen:	
On behalf of our client,	
we seek the informal advice of the staff of the Federal Trade	Commission as to the
applicability of the requirements of the Hart-Scott Doding Antitrust	Tennuaryamanta A., . C
mercunder to the proposed transaction described below.	•
currently intend	ls to purchase from
The anticipated purchase price is \$1,000.	
. The anticipated purchase price is \$1,000.	
is a single purpose corporation formed in 19	989 at the request of
in order to facilitate a production payment financing town	
for order to facilitate a production payment financing trans for oduction payment is similar to a royalty interest except that it experiences	action by A
production payment is similar to a royalty interest except that it expits a specified amount rather than continuing for the productive life of the	action by A A res upon payment of a underlying property
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production payment is similar to a royalty interest except that it expits a specified amount rather than continuing for the productive life of the The use of single purpose corporations such as industry in connection with production payment financing because	action by Ares Ares upon payment of aunderlying property. Ary in the oil and gas of limitations under estate. Thus, in the
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assets consist solely of (i) an oil and gas production payment (the

by the production Payment are immediately applied to reduce the bank debt. Therefor, on the balance sheet of the Production Payment is offset by a corresponding liability which at all times is equal to the value of the Production Payment; thus the total net assets of the production approximately \$1,000.

The underlying oil and gas leases that are burdened by the Production Payment are operated by and/or its industry partners.

As is typical in production payment financings,

has, and

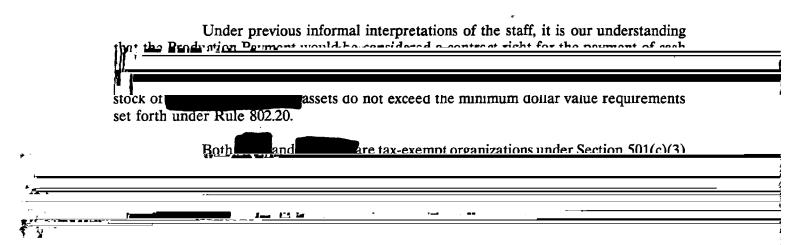
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the annually increased until the Froduction Fayment terminates. In effect,

The parties have determined to effect the transfer as a stock transaction because an asset transfer would require that (i) a new single purpose subsidiary be formed by (ii) new loan documents be prepared and (iii) a reconveyance of the Production Payment occur, all of which would require significant expenditures.

For purposes of the Act's size of person test under Section 7(A)(a)(2) of the Act, would be considered a "person which has total assets of \$100,000,000 or more" and although its net value is only \$1,000, would be considered a "person not engaged in manufacturing which has total assets of \$10,000,000 or more".

Although the size of the transaction test under Section 7A(a)(3) is nominally met because more than 15% of the stock of th

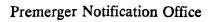


because the Production Payment represents a contract right for the payment of cash and in the context of the proposed transaction would not constitute an asset for purposes of the size of the transaction test.

We appreciate your attention to this letter at your earliest convenience. Please address any questions or comments you may have on this matter to the undersigned at

Very truly yours,







October 29, 1991

